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Farm Broadcasters Letter



Letter No. 2313

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May 21, 1987

AGRICULTURAL TURNAROUND?

The net cash income of farmers is expected to increase during 1987 to \$48 to \$52 billion, perhaps reaching a record, according to the U.S. Department of Agriculture. A gain in income for livestock farms will more than offset a decrease for crop farms. Increases in returns on assets and equity, significantly reduced interest expenses, and growth in income among most farm enterprises indicate important financial stabilization processes are now occurring. Farmland values could also stabilize in 1987, compared with an 8 percent decline last year.

FARM OPERATING EXPENSES TO DECLINE

Farm operating expenses are likely to decline another 4 to 6 percent during 1987, reflecting lower prices and reduced inputs, particularly lower interest charges, according to the U.S. Department of Agriculture. Cash receipts are continuing to fall--5 to 7 percent this year--accompanied by reduced acreage for most program commodities and lower crop prices. The drop in receipts is partially offset by direct government payments, which are expected to set a record.

WHEAT PRODUCTION

In January 1987, U.S. winter wheat farmers said they had seeded only 48 million acres, down almost 6 million from 1986 and the fewest since 1978, according to the U.S. Department of Agriculture. In March, spring wheat producers said they intended to reduce planted area by an additional 1½ million acres. This means that 1987's overall planted area may be down 10 percent from 1986, and the smallest in 14 seasons. The cutback came about because the sixth acreage reduction program received heavy support from farmers, and because of growing participation in the Conservation Reserve Program.

WHEAT EXPORT OUTLOOK

With the prospect of increased world wheat trade in 1987/88, and renewed U.S. sales to the Soviet and China, the initial U.S. export forecast by the U.S. Department of Agriculture is 1 billion 23 million bushels--a 20 percent increase over last season. Expectations of brisk early-season shipments from large Export Enhancement Program sales, in combination with reduced readily marketable supplies of old-crop wheat, suggest harvest-time farm prices could be above last year. The season's farm price may average between \$2.30 and \$2.60 a bushel, compared with \$2.40 last year.

SALES TO USSR	According to the U.S. Department of Agriculture, as of May 20, sales of wheat and corn to the USSR for delivery during the fourth year of the Long Term Grain Supply Agreement total just over 5½ million tons, of which wheat is 1 million, 800 thousand tons and corn is just over 3 million, 700 thousand tons.
GLOBAL WHEAT OUTPUT	The global wheat output for 1986/87 hit a record 530 million metric tons, according to the U.S. Department of Agriculture. The 1987/88 season seems to point to another large harvest, although weather and reduced planting in some areas may preclude a new record. Trade will likely expand to almost 97 million tons, particularly with a major Soviet harvest shortfall. However, trade will remain well below the 107 million tons of the 1984/85 season. Aggressive competition among exporters will likely continue as each seeks a share of the moderately expanding market.
FEED GRAIN PROGRAM	Farmers have enrolled 87.8 percent of the eligible corn base acreage in the Acreage Reduction Program, compared with 84.7 percent in 1986. The Program requires producers to idle 20 percent of their base to be eligible for loan and deficiency programs. Some 14½ million acres of corn base could be idled under the Program, and nearly 7 million more could be idled under the optional 15 percent Paid Land Diversion Program. Around 29 million acres of base of all feed grains could be idled under the 1987 program, second only to 1983 when 39 million acres were idled. Growers indicated they intend to plant 106 million acres in feed grains in 1987, down 11 percent from last year because of the Acreage Reduction Program and long term Conservation Reserve Program.
PROFITS & WHEN FARM PURCHASED	Most corn and soybean farmers in the Midwest could meet all cash expenses, if their land was purchased at early 1987 prices, 11 percent interest, and a 25 percent down payment, according to the U.S. Department of Agriculture. By contrast, in 1984, cash expenses on those farms exceeded receipts by over \$40,000. USDA economists point out that, despite recent improvements, farmers trying to pay debts taken on when land prices and interest rates were higher are probably still having financial difficulties.
ACREAGE REDUCTION PROGRAM IS UP	Farmers enrolled about 195 million acres in 1987 acreage reduction programs, out of the 232-million-acre program base, according to the U.S. Department of Agriculture. To be eligible for program benefits, participants are idling 54 million 400 thousand acres; 45 million 800 thousand in acreage reduction programs; and 8 million 600 thousand in the paid diversion programs for feed grains. The total idled acres for 1987 currently is estimated to be 71 million 400 thousand acres, including 17 million placed in the Conservation Reserve for 1986 and 1987. This idled area is second only to the 78 million acres diverted in 1983's PIK program.
FARMERS HOME TO POOL LOAN FUNDS	The U.S. Department of Agriculture called all unused guaranteed farm real estate loan funds into a national pool at the close of business on May 15. According to <u>Vance Clark</u> , administrator, FmHA, "This is a normal practice in which States that have not used up their original allocation share with States that have a greater need. We may have around \$60 million to redistribute from the pool."

FROM OUR
TELEVISION
SERVICE

SUPPLY AND DEMAND ESTIMATES - I...Global crop use in 1987/88 is expected to nearly match production, while projected U.S. crop use will probably exceed reduced crops for feed grains and soybeans. USDA economist David Hull focuses on these and other factors contributing to the current agricultural supply and demand situation. DeBoria Janifer interviews. (196)

SUPPLY AND DEMAND ESTIMATES - II...USDA economist David Hull talks about factors behind the expected decrease in course grain output as well as the outlook for U.S. corn, soybean and cotton exports. DeBoria Janifer interviews. (197)

SOVIET GRAIN SITUATION...USDA analyst Frank Gomme takes a look at the current forecast for Soviet grain production and whether or not the U.S. will have a share of the Soviet import market this year. Vic Powell interviews. (198)

OUTLOOK FOR WESTERN EUROPE...The lower-valued U.S. dollar and the 1985 Farm bill have widened the gap between world prices and the high internal prices maintained by the European Community's Common Agricultural Policy. USDA economist Miles Lambert describes these and other factors contributing to the current outlook for Western Europe. Vic Powell interviews. (199)

COMPUTER VISION TO EVALUATE GRAIN...Marvin Paulsen, University of Illinois, describes a new system for evaluating grain that may soon identify the best quality grain and also give the farmer who produces it a higher price. Gary Beaumont interviews. (200)



FROM OUR RADIO
SERVICE

AGRICULTURE USA #1564...(Weekly 13½ min documentary) With more parents working, more children are spending time taking care of themselves at home. Gary Crawford reports that this is also happening in rural areas because farm wives are now having to take extra jobs. As a result local Extension Service offices are creating training programs for so-called "latchkey kids."

AGRITAPE/FARM PROGRAM REPORT #1553...(Weekly reel of news features) USDA news highlights; USDA launches salinity control project on Colorado River; Alternative crops for farmers; The Soviet crop prospects; Hog industry explosion.

CONSUMER TIME #1044...(Weekly reel of 2½-3 min features) Songs of the cicadas; Selecting the right carpet; Self care for your child?; How much water for your lawn; Keeping your lawn under control.

USDA RADIO NEWS SERVICE...Wed, May 27, Export outlook; Thurs, May 28, World tobacco outlook, Eastern Europe situation; Fri, May 29, Ag. prices; Tues, June 2, Crop and weather update; Thurs, June 4, Southeast Asia outlook. Dial the USDA National News Line 202-488-8358 or 8359. All material changed at 5 p.m. ET each working day.

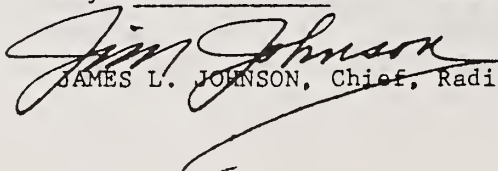
OFF MIKE

Rich Hull is the new general manager at KMA, Shenandoah, IA. At this writing, he was scheduled to take up his new duties, May 26. Rich leaves the Kansas Ag Net in Topeka. He was NAFB president in 1978. His Kansas Ag Net co-worker Mark Vail says they are looking for a new staff member. If you're interested, call Mark at 913-272-2199 ... Speaking of Mark, he and Lynn Ketelsen (Linder Farm Net, Willmar, MN) had an interesting trip home from Japan recently. Two hours into the flight a warning light came on in the cockpit indicating a possible fire in the luggage compartment. The nearest airfield was, you guessed it, back in Japan. The upshoot of the whole adventure is that Mark arrived at the NAFB Western Regional meeting in Seattle with practically no sleep. But he held up well through all the tours, meetings and festivities. Incidentally, Mark (and the others on the trip) carried special business cards identifying them in Japanese. For you NAFB members this is the name of your organization in Japanese: 全国ファーム放送者協会 ...

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Another followup to that Seattle meeting: Nelson Robinson (USDA/ASCS radio-TV) and his wife Martha took a boat ride to Victoria, British Columbia and spent two days playing tourist, including taking "high tea" at the Empress Hotel. "Very interesting." Our question: "Did you crook your pinkie finger, Nelson?" ... Two visitors this past week: Ron Hayes (Oklahoma Agrinet, Oklahoma City) in town with a Farmers Union group, and Jerry Read (WIBX/NE Ag Net, Utica, NY) in town for three days for the station's annual live broadcasts (9:00 a.m.-4:30 p.m. daily) from the nation's capitol. Jerry had guests from USDA, the Hill, and around town on for an hour each day and took call-in questions ... Julie Terstriep has left WLRB, Macomb, IL to do freelance work and to spend more time with her 2-year old. She says Mike Henricks will take her place on July 1.


JAMES L. JOHNSON, Chief, Radio and Television Division